

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EA-07 IO-11 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 DODE-00 PA-01 PRS-01

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TAGS: EFIN, EINV, EAID, SA, JA, US

SUBJECT: ECONOMIC COOPERATION WITH SAUDI ARABIA; JAPANESE INTEREST IN

CORDINATION WITH UNITED STATES

REFS (A) TOKYO 1034, (B) TOKYO 1033, (C) 75 TOKYO 18171

FOLLOWING IS SUGGESTED EMBASSY/JIDDA RESPONSE TO EMBASSY/TOKYO  
QUERIES RE JOINT COMMISSION AND POSSIBLE US/JAPANESE CO-  
OPERATION.

1. EMBASSY IS MOST APPRECIATIVE OF EMBASSY/TOKYO'S IN-  
FORMATION ON SAUDI ARABIAN/JAPANESE JOINT COMMITTEE, AND  
SUGGESTIONS FOR COOPERATION.

2. SAUDI ARABIA HAS NOW SET UP JOINT COMMITTEES OF COM-  
MISSIONS WITH MOST OF ITS DEVELOPED TRADING PARTNERS AND  
A FEW OF ITS UNDER-DEVELOPED CONTACTS (TURKEY, PAKISTAN,  
KUWAIT). ON THE WHOLE, THESE COMMISSIONS ARE LARGELY  
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WINDOW DRESSING. EACH IS HEADED BY A DIFFERENT MINISTER,

THUS ALLOWING THAT INDIVIDUAL TO TRAVEL ABROAD, AND TO CLAIM THE PRESTIGE ASSOCIATED WITH HEADING AN IMPORTANT BODY. LITTLE OF SUBSTANCE HAS YET BEEN ACHIEVED IN ANY OF THE COMMISSIONS. THEY DO SERVE AS A VEHICLE BY WHICH FOREIGN GOVERNMENTS MANAGE TO OFFICIALLY STATION EMBASSY OFFICERS IN THE CAPITAL CITY (EMBASSIES WERE NOT ALLOWED TO HAVE OFFICERS ASSIGNED TO RIYADH UNTIL OUR LIAISON OFFICER TO THE JOINT COMMISSION ARRIVED IN OCTOBER 1974). THEY ALSO PROVIDE AN AVENUE FOR FOREIGN GOVERNMENTS TO TOUT THEIR OWN PRIVATE FIRMS IN THE EVER-INCREASING COMPETITION FOR A PIECE OF SAUDI ARABIA'S FIVE YEAR PLAN (ANNOUNCED EXPENDITURES OF \$142 BILLION).

3. THE US/SAUDI JOINT ECONOMIC COMMISSION HAS BEEN IN EXISTENCE SINCE JUNE, 1974. A TECHNICAL COOPERATION AGREEMENT WAS SIGNED IN MARCH 1975, AND IN AUGUST THE U.S. REPRESENTATIVE TO THE JOINT COMMISSION TOOK UP HIS POSITION IN RIYADH. HIS STAFF WILL INCLUDE A DEPUTY DIRECTOR AND FOUR PROGRAM OFFICERS (FOR AGRICULTURE, SCIENCE AND TECHNOLOGY, MANPOWER AND EDUCATION, AND INDUSTRIALIZATION) WHEN COMPLETE. THE USREP OFFICE IS WORKING ACTIVELY TO SET UP A VARIETY OF TECHNICAL ASSISTANCE PROJECTS, TO SUPPORT PERSONNEL ASSIGNED TO SUCH PROJECTS AND TO ENCOURAGE MORE PARTICIPATION BY U.S. FIRMS IN SAUDI DEVELOPMENT EFFORTS. PRESS RELEASE ON RECENT TRIP BY ASSISTANT SECRETARY OF THE TREASURY PARSKY (WHO HAS ACTION RESPONSIBILITY FOR COMMISSION WITH USG) DESCRIBES ACTIVITIES OF USREP TO DATE. COPY BEING POUCHED ALONG WITH MORE COMPREHENSIVE STATEMENT OF JUNE, 1975. THE NEXT FORMALY MEETING OF THE COMMISSION IS SCHEDULED FOR MARCH IN RIYADH.

4. THE DESIRABILITY OF U.S. COOPERATION WITH THIRD COUNTRIES HAS BEEN RAISED BEFORE. WE HAVE NO DOUBT THAT AN EXCHANGE OF INFORMATION BETWEEN U.S. AND JAPAN WOULD BE MUTUALLY BENEFICIAL. GIVEN THE PLANNED LEVEL OF SAUDI EXPENDITURES IT WOULD SEEM THAT THE PIE IS LARGE ENOUGH TO PROVIDE A HEALTH SLICE FOR ALL. IN PRACTICE, HOWEVER, WE BELIEVE ACTUAL ACHIEVEMENTS OF THE SAUDIS -- AND EXPENDITURES -- WILL FALL FAR BELOW PROJECTIONS.

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WE COULD EASILY END UP IN INTENSE COMPETITION WITH THE JAPANESE FOR LARGE JOINT VENTURE PROJECTS SUCH AS DESALINATION AND PETROCHEMICALS, NOT TO MENTION REGULAR TRADE OPPORTUNITIES. AT THIS STAGE, EMBASSY BELIEVES EXCHANGES SHOULD BE RESTRICTED TO DISCUSSIONS OF TECHNICAL ASSISTANCE PROJECTS IN AN EFFORT TO LIMIT REDUNDANT EFFORTS. WE MUST POINT OUT, HOWEVER, THAT EVEN IN THESE AREAS AN ATMOSPHERE OF COMPETITION EXISTS. FOR EXAMPLE, BOTH THE

USG AND THE JAPANESE ARE WORKING ON VOCATIONAL TRAINING PROJECTS.

5. EMBASSY RECOMMENDS THAT FORM OF EXCHANGE BE LIMITED TO CONTACTS BETWEEN THE TWO EMBASSIES IN JIDDA. AT A LATER STAGE IT MAY BE FEASIBLE TO INITIATE DIRECT RELATIONS BETWEEN USREP AND JAPANESE SECRETARIAT IN RIYADH.

6. A REVIEW OF THE SAUDI FIVE YEAR PLAN IS UNDERTAKEN EVERY SIX MONTHS BY THE MINISTRY OF PLANNING. A REPORT IS PUBLISHED ANNUALLY. ALTHOUGH THE SAUDI PRESS HAS REPORTED THAT SUCH AN EVALUATION IS UNDER WAY, AND ONE IS INDEED DUE, WE UNDERSTAND THAT THE REPORT IS NOW EVEN NEARING COMPLETION BECAUSE OF THE RESIGNATION OF A KEY MINPLANNING OFFICIAL. NO REPEAT NO OFFICIAL USG ASSISTANCE IN INVOLVED, BUT STANFORD RESEARCH INSTITUTE DOES HAVE A CONSULTING CONTRACT WITH THE MINISTRY AND WOULD BE INVOLVED IN SUCH AN EVALUATION. FYI - ONE OFFICIAL IN THE PLANNING MINISTRY ASSURED AN EMBOFF THAT THE SIX MONTH EVALUATION WILL NEVER EVEN BE PRESENTED TO THE COUNCIL OF MINISTERS: "IT WOULD SIMPLY BE TOO DAMNING OF THE VARIOUS MINISTERS WHO HAVE FAILED TO MEET RESPONSIBILITIES UNDER THE PLAN."  
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